



MINISTRY OF PENSIONS
AND NATIONAL INSURANCE

MEMORANDUM ON THE
NATIONAL INSURANCE BILL, 1954
and

Report by the Minister of Pensions and National Insurance
on his Review of the Rates and Amounts of
National Insurance Benefit

*Presented by the Minister of Pensions and National Insurance to Parliament
by Command of Her Majesty
December 1954*

(The Report on the Review of the Rates and
Amounts of National Insurance Benefit pursuant
to Section 40 of the National Insurance Act, 1946.)

LONDON
HER MAJESTY'S STATIONERY OFFICE
FOURPENCE NET

Cmd. 9338



Introductory

1. This Bill makes provision for carrying out the proposals for increases in national insurance and industrial injuries benefits and contributions announced by the Minister of Pensions and National Insurance today. It makes no alterations in the general structure of the two schemes.

2. The national insurance proposals have been framed in the light of the Government Actuary's Quinquennial Review* made under Section 39 of the National Insurance Act, 1946, and of the Minister's review of rates and amounts of benefit made under Section 40 of that Act, the Report on which is contained in Appendix I.

3. National insurance and industrial injuries benefits are paid out of the respective Insurance Funds, which are supported by contributions by insured persons, employers and the Exchequer. The Bill provides for the payment by the Exchequer to the National Insurance Fund of sums not exceeding £325,000,000 in the aggregate during the next five years, in addition to the Exchequer supplements to contributions. The financial effect of the increases in the rates of benefit and contributions now proposed is explained in the Financial Memorandum attached to the Bill and is dealt with in detail in the Government Actuary's Report on the Financial Provisions of the Bill (Cmd. 9332).

The Main Changes

Benefits and Pensions

4. *National Insurance.* The standard weekly rates of unemployment and sickness benefit, and of retirement pension at minimum pension age, are increased from 32s. 6d. to 40s. for a single person and from 54s. to 65s. for a married couple. Widow's pension also is increased from 32s. 6d. to 40s. Increases are made in the maternity benefits. The allowance (including family allowance where payable) for a dependent child is increased from 10s. 6d. to 11s. 6d.

5. *Industrial Injuries Insurance.* The current weekly rates of injury benefit of 55s. for a single person and 76s. 6d. for a married couple are increased to 67s. 6d. and 92s. 6d. respectively. The disablement pension for an assessment of 100 per cent. is also increased to 67s. 6d. and there are proportionate increases in the rates for smaller assessments and in the gratuities for assessments below 20 per cent. The various extra allowances which are paid with disablement pensions are also increased. The pension for widows which is at present payable at 37s. is increased to 45s. a week.

6. A list of the increased rates of benefit is given in Appendix II.

Existing Beneficiaries

7. Persons in Great Britain in receipt of the benefits or pensions specified are to have these adjusted to the increased rates set out in the Bill and corresponding changes will be made in rates covered by regulations. The changes affect something like six million beneficiaries. In view of the numbers involved it is necessary to bring the changes into operation on different dates, and this is to be done by means of "appointed days" under Clause 5 of the Bill. It is hoped that the new rates of retirement and widow's pensions will be put into operation during the last week in April and that all the new rates will be in operation by the end of May.

* House of Commons Paper No. 1 (Session 1954-5)

Contributions

8. The weekly rates of contribution for employed men and employers are each increased by 11d. for national insurance and 1d. for industrial injuries insurance, making 1s. 0d. in all. The contribution for employed women is also increased by 1s. 0d. and there are corresponding increases in the contributions of self-employed and non-employed persons. The main new weekly rates of contribution under the national insurance and industrial injuries schemes are set out in Appendix III; it is intended that they should become payable from June next. The contribution for national insurance, including the Exchequer supplement, covers the actuarial contribution which would have to be paid throughout the lifetime of a person entering the scheme at age 16 in order to pay for the benefits which he and his dependants may expect to receive, with an addition towards the extra cost of providing the higher benefits for those already over the initial age. It also includes, as hitherto, sums of 10d. (men) and 8d. (women) as a contribution towards the National Health Service. The composition of the new contributions is set out in detail in the Government Actuary's Report on the Financial Provisions of the Bill.

Exchequer Supplement

9. The new amounts of Exchequer supplement to national insurance contributions are also set out in Appendix III. The Exchequer supplement for employed persons will continue to be one-seventh of the total contribution for national insurance. For self-employed and non-employed persons the Bill provides for an Exchequer supplement which bears the same proportion to their contributions as the total supplement for an employed person bears to the employed person's own contribution.

1st December, 1954.

NATIONAL INSURANCE ACTS, 1946-53

REPORT PURSUANT TO SECTION 40 OF THE NATIONAL INSURANCE ACT, 1946, BY THE MINISTER OF PENSIONS AND NATIONAL INSURANCE ON HIS REVIEW OF THE RATES AND AMOUNTS OF BENEFIT.

1. The main rates of pension and benefit now payable under the National Insurance Acts were laid down in June, 1952, by the Family Allowances and National Insurance Act of that year. This Act increased the standard rate for all the main benefits and pensions to 32s. 6d. for a single person and to 54s. for a married couple. It also improved the provision for dependent children so that, taking family allowances into account, a family on benefit now receives 10s. 6d. a week for each child. Following a review by the National Insurance Advisory Committee the maternity benefits provided by the 1946 Act were completely remodelled and improved by the National Insurance Act, 1953.

2. I am required by the Act of 1946 to review the rates and amounts of benefit in relation to the circumstances of insured persons (a phrase which to all intents and purposes means the general population) including the expenditure necessary for the preservation of health and working capacity. I am also to have regard to changes in those circumstances which have occurred since these rates were laid down and to the likelihood of future changes.

3. The rates of pension and benefit set out in the original National Insurance Act, 1946, were arrived at by taking the estimated cost calculated in terms of pre-war prices of the requirements of various classes of persons as set out in the Beveridge Report* and increasing those figures by 31 per cent. to compensate for the increase in prices which had occurred since then. The resulting figures were accepted by Parliament as affording a broad subsistence basis to rates of benefit within the framework of a contributory insurance scheme. Three reasons were given for not attempting to provide a full and universal subsistence basis for pensions and benefits. They were, first, that experience had shown it was not practicable or desirable to have automatic adjustment of rates of benefit by reference to changes in the cost of living; second, it was clear that no general level of benefit would meet the needs of every individual beneficiary, quite apart from the special problem of rent; and, third, that the wide variation in rents paid by beneficiaries in itself made it impossible for a flat rate of benefit to provide adequately for everyone. Such changes in benefit rates as have been made since they were first laid down have proceeded on the same footing, the further experience gained in the day-to-day working of the scheme having only served to reinforce these difficulties.

4. The first question to consider is naturally whether there is any reason to suppose that, apart from adjustments required by increased prices, the circumstances of insured persons have undergone changes so fundamental as to render the basis so far adopted obsolete. There have been a number of surveys of various kinds and of varying degrees of authority but they have not established any clear changes in the way people lay out their money on those essentials which have always been regarded as making up a subsistence level. Surveys conducted by the Ministry of Food, for example, do not suggest that, when due allowance is made for alterations in price, families with small incomes lay out their money on essential foods very differently to-day from the way they did before the war. It may be that further light will be thrown on these questions when the full results of the enquiry into household budgets made by the Ministry of Labour and National Service during 1953 and 1954 are available, but this will not be until next year.

5. The Index of Retail Prices has risen by about 4½ per cent. since the current rates were fixed in 1952. This in itself would suggest an increase of about 1s. 6d. in the current rate for a single person and 2s. 6d. in the rate for a married couple. The increases made in 1951 and 1952 were, however, generally accepted as being interim adjustments pending the full review provided for by Section 40 of the Act and I have therefore to consider the position more broadly. The difficulties of attempting to measure the total effect of changes in prices since

* Report on Social Insurance and Allied Services, Cmd. 6404.

1946 are well known. They arise from the alteration in the method of calculation introduced in 1947. If, however, the recognised official indices are used the increase in prices which has occurred since 1946 would suggest an increase of about 5s. in the rate for a single person and about 6s. 6d. in the rate for a married couple, giving new rates of 37s. 6d. and 60s. 6d. respectively.

6. Whether this is the appropriate way of measuring prospective changes in benefit rates under an insurance scheme depends to some extent on the assumptions made about the circumstances of people to whom benefits are paid. Some light is thrown on this point by the numbers of people who are covered by schemes providing payment from employers during short spells of sickness, and the numbers of retired people who are in receipt of supplementary pensions from their employers, and also by the figures regarding the extent to which people on benefit or pension have recourse to the National Assistance Board for supplementation. During the last three years the average number of people on sickness benefit who have been drawing supplementation from the National Assistance Board has been in the neighbourhood of 15 per cent. of the total. For unemployment benefit the figure of supplementation is rather higher but at no time has it reached much above 20 per cent. These percentages may to some extent be a reflection of the fact that most spells of sickness and unemployment are of short duration. Even for retirement pensioners, where the conception of short spells of benefit has no place, the percentage in receipt of supplementation is only just over 25 per cent. of the total. All of which suggests that the average beneficiary, for whom an insurance scheme providing flat rate benefits in return for flat rate contributions must inevitably cater, is not wholly dependent on benefit when unemployed, sick or retired.

7. Since any increase in benefits under an insurance scheme should be matched by a corresponding increase in contributions one must, in fixing rates of benefit, have regard not only to the circumstances of the insured persons regarded as beneficiaries but also to their circumstances as contributors; one must consider not only what a person draws when earnings are interrupted by sickness or unemployment, or cease on retirement, but also what he has to pay when at work.

8. There is no scientific way of deciding what rate of benefit it would be appropriate to provide under an insurance scheme. In the last resort the selection of rates must be a matter of judgment and in arriving at them the various considerations touched on in this report must be weighed up and balanced against each other.

9. In the circumstances, I came to the conclusion that all the weekly rates of benefit should be increased in approximately the same proportion, and that the new rates ought to provide some margin over the amounts strictly required on the 1946 standard. This is what is now being proposed. The new standard rates for the main benefits, namely, 40s. for a single person and 65s. for a married couple, do provide such a margin, being 7s. 6d. and 11s. respectively above the current rates, and the other weekly benefits are being increased proportionately. At the same time the contributions it is proposed to charge are a smaller proportion of average earnings than were the contributions provided for by the 1946 Act.

10. I do not think we should at this stage increase the amount of the death grant. This is an entirely new benefit which only started to be payable in 1949. We know something, but not enough about the way it is working in practice and I propose to ask the National Insurance Advisory Committee to review the conditions which govern the payment of the grant.

11. Maternity benefits also presented a special problem since they were reviewed as recently as 1953. In the circumstances I do not think we need look further back than the rates fixed by the National Insurance Act of that year. Maternity allowance has now been fixed at the standard rate for unemployment and sickness benefit and should therefore be increased to the new rate for those benefits; some increase should also be made in the amounts of both the maternity grant and the home confinement grant.

OSBERT PEAKE,

Minister of Pensions and National Insurance.

December, 1954.

APPENDIX II

INCREASED BENEFIT RATES

NATIONAL INSURANCE

					<i>Proposed weekly rate</i>	<i>Proposed grant</i>
					s. d.	
Unemployment benefit:						
Adults (including some married women)	...	...	...	...	40	0
Other married women	...	...	...	...	30	0
Persons aged under 18	...	...	...	...	23	0
Sickness benefit:						
Adults (including some married women)	...	...	...	...	40	0
Other married women	...	...	...	...	25	0
Persons aged under 18	...	...	...	...	23	0
Retirement pension:						
Insured person or widow	...	...	...	...	40	0
Uninsured wife of retirement pensioner	...	...	...	...	25	0
Widow's benefit:						
Widow's allowance (first 13 weeks of widowhood)	...	...	...	...	55	0
Widowed mother's allowance (including provision for one child)	...	...	...	...	51	6
Widow's pension	...	...	...	...	40	0
Increases for dependants (where payable):						
Wife or other adult dependant	...	...	...	...	25	0
Child (including family allowance where payable)	...	...	...	...	11	6
Maternity benefit:						
Maternity grant	...	...	...	...		£10
Home confinement grant	...	...	...	...		£4
Maternity allowance	...	...	...	...	40	0
Guardian's allowance	...	...	...	...	18	0

INDUSTRIAL INJURIES

					<i>Proposed weekly rate</i>	
					s. d.	
Injury benefit	...	...	...	...	67	6*
Disablement pension† (100 per cent. assessment)	...	...	...	...	67	6*
Unemployability supplement	...	...	...	...	40	0*
Special hardship allowance	...	...	...	up to	27	6
Constant attendance allowance	...	...	...	up to	30	0‡
Industrial death benefit:						
Widow's pension (first 13 weeks of widowhood)	...	...	...	...	55	0
Widow's pension now payable at 37s. rate	...	...	...	...	45	0
Widower's pension	...	...	...	...	45	0
Allowance for first or only child	...	...	...	...	11	6
Increases for dependants (where payable):						
Wife or other adult dependant	...	...	...	...	25	0
Child (including family allowance where payable)	...	...	...	...	11	6

NOTES

* Lower rates are in general paid to boys and girls aged under 18.

† It is also proposed to increase the amount of disablement gratuities; the maximum will be raised from £185 to £225.

‡ 60s. in cases of exceptional severity.

APPENDIX III

MAIN NEW WEEKLY RATES OF CONTRIBUTIONS

I—EMPLOYED PERSON

	National Insurance		Industrial Injuries Insurance		Total Joint Contribution
	Employed Person	Employer	Employed Person	Employer	
	s. d.	s. d.	s. d.	s. d.	s. d.
Men over 18 ...	6 4	5 6	5	6	12 9
Women over 18 ...	5 3	4 7	3	4	10 5
Boys under 18 ...	3 8	3 3	3	3	7 5
Girls under 18 ...	3 1	2 8	2	2	6 1

2—SELF-EMPLOYED PERSON National Insurance

	s. d.
Men over 18	8 5
Women over 18	7 2
Boys under 18	4 10
Girls under 18	4 3

3—NON-EMPLOYED PERSON National Insurance

	s. d.
Men over 18	6 6
Women over 18	5 2
Boys under 18	3 9
Girls under 18	3 1

EXCHEQUER SUPPLEMENT

(1) NATIONAL INSURANCE

	Supplement to contributions for employed person			Supplement to self-employed person's contribution	Supplement to non-employed person's contribution
	For employed person's contribution	For employer's contribution	Total supplement		
	s. d.	s. d.	s. d.	s. d.	s. d.
Men over 18 ...	11	11	1 10	2 6	1 10
Women over 18 ...	9	9	1 6	2 2	1 6
Boys under 18 ...	6	6	1 0	1 5½	1 1
Girls under 18 ...	5	5	10	1 3	10½

(2) INDUSTRIAL INJURIES INSURANCE

The Exchequer supplement to Industrial Injuries contributions is equal to one-fifth of the contribution income from employers and insured persons.